CITY OF NORMAN, OKLAHOMA

CITY COUNCIL
BUSINESS AND COMMUNITY AFFAIRS COMMITTEE
AGENDA

Municipal Building Conference Room
201 West Gray

FRIDAY, SEPTEMBER 6, 2013

8:30 A.M.

1. DISCUSSION REGARDING CONDUCTING A RETAIL GAP ANALYSIS CITY OF NORMAN.

2. MISCELLANEOUS DISCUSSION.

TO: Council Business and Community Affairs Committee

THRU: Steve Lewis, City Manager

FROM: Terry Floyd, Development Coordinator TF

DATE: August 29th, 2013

SUBJECT: Retail Sales Gap Analysis

One topic of exploration the BACA committee may want to consider is that of conducting a retail sales gap analysis to better understand the areas of strengths and weakness in sales tax collections in Norman's retail market.

Retail Gap Analysis

A retail gap analysis is one tool that many cities find helpful in identifying the strengths and weaknesses in their local retail market. From this analysis, cities can then identify areas for potential retail expansion or growth of existing retail sectors, and then develop strategies to addresses weaknesses (or "leakage") in these sales tax areas.

A gap analysis essentially estimates how many shoppers are coming to a community to purchase retail items. These types of retail items can include general merchandise, building materials, restaurants, and other merchandise that the City receives sales tax from when purchased. These individual items are categorized by the Oklahoma Tax Commission into separate retail sectors that are classified using North American Industry Classification System (NAICS) codes. Most of the sales gap analysis studies from other cities that staff has researched identify eight categories that are analyzed as part of the gap analysis. These include: 1) General Merchandise; 2) Food Stores; 3) Auto, Accessories and Gasoline Service Stations; 4) Apparel and Accessory Stores; 5) Eating and Drinking Establishments; 6) Home Furnishings and Appliances; 7) Building Materials; and 8) Miscellaneous Retail. Additional data that is utilized for the analysis includes: population, per capita income for city residents, county per capita income, state per capita income and city sales tax data.

After this raw data is collected, it can then be utilized to calculate a sales gap coefficient for a city's total retail expenditures. This is sometimes referred to as the city's "pull factor". Pull Factor indicates the degree to which an entire retail market attracts non-local (out-of-town) and local (in-town) customers to shop. A gap coefficient over 1.0 might indicate that local residents and additional non-local residents are shopping in the local economy, thus creating "pull". A gap coefficient less than 1.0 can indicate shoppers may be leaving the local economy to purchase items, indicating "leakage" in the market. A sales gap coefficient of 1.0 could indicate that the city is capturing the expenditures of its local residents, but is not attracting non-local shoppers.

The data from the gap analysis can be further analyzed to include "pull" and "leakage" in specific retail sectors. This data helps a city identify expenditures in specifically identified retail categories (generally the aforementioned categories) to determine if gaps

(leakage) or "pull" is occurring in specific retail sectors. This can be indicated through identifying a sales gap coefficient for each specific retail category, with a gap coefficient over 1.0 indicating strength (or pull), and a gap coefficient less than 1.0 indicating weakness (or leakage) in a specific retail category. Information from the Center for Economic & Business Development at Southwestern Oklahoma State University regarding the pull factors for Norman and comparable cities/counties in 2012 is included as Attachment A.

Past Retail Studies

Two city-wide studies regarding retail development were completed in 2001 and 2007. Additionally, a retail gap analysis was included as part of the UNP Cannibalization Study in 2008.

Some suggestions from past studies for retail trade improvement included:

- *Analyzing the local business sector to identify needs and opportunities to be pursued by a retail trade improvement program.*

  This could include identifying voids in the local or regional markets that new or existing businesses can fill. It may also include surveying local businesses to identify their needs and develop appropriate strategies.
- *Assisting new business start-up and entrepreneurial activity by analyzing potential markets and local skills and matching entrepreneurs with technical and financial resources.*
- *Provide assistance for businesses in identifying and obtaining financing.*
- *Provide assistance to businesses in undertaking projects such as improving appearance, management of commercial areas, building renovation, improved customer relations and other related items.*
- *Develop a one-stop permit center.*
- *Involvement of active organizations and the media in creating a healthy business climate.*

Although the studies provided valuable information at the time they were conducted, Norman's retail situation has changed in the ensuing years. The population has grown, thus possibly leading to different consumer spending patterns. Additionally, some of the suggested business development strategies from those studies have been or are being implemented, and a number of retailers that were suggested as part of those studies (or similar competitors) are now located in Norman. An example of this is shown in the under-serviced retail categories that were outlined in the 2008 UNP Cannibalization Study. The study suggested that at the time, the categories providing the greatest opportunity for capturing additional retail sales included supermarkets, convenience stores, building materials, pharmacies and drug stores, appliance and home electronic stores and department stores. The study also outlined that department stores, furniture and home furnishings, lawn and garden, and sporting goods were all retail categories that were suitable for the UNP project area. The study also suggested that full service restaurants would be suitable for the area, even though the market was slightly over

serviced. Information from the study regarding the retail gap analysis is included as Attachment B.

Retail Gap Analysis Indications

An analysis of retail gaps only indicates possible areas of sales tax leakage. The analysis does not give insight into why the leakage is occurring, whether the leakage is acceptable or any recommendations to stop the leakage from occurring. A retail gap analysis provides a starting point for discussions regarding opportunities for retail expansion and growth. From the information included in an analysis, a more detailed discussion will then need to take place to evaluate areas of strength and weakness to better develop specific strategies to increase growth in these specific sectors and identify opportunities for the City to participate in those areas.

Staff will present this information to the committee for discussion and possible future direction at the September 6th meeting. If you have any questions, please feel free to contact me.

Attachment A

What is Trade Pull Factor?

Trade Pull Factor measures the relative strength of a region's ability to attract people from other regions.

Why is it important?

A region with ability to attract more non-resident consumers could 'capture' more dollars for the region. Region that is able to capture non-resident dollars would benefit not only from increased employment opportunities, but also from the county and city sales taxes paid by nonresident consumers.

How are the numbers calculated?

The first step to compute Per Capita Sales is to divide Sales Subject To Sales Tax (SSTST) in a given geographic region by its respective population.

Once Per Capita Sales figures are computed, County Trade Pull Factor can be derived by dividing the County Per Capita Sales by Per Capita Sales of the state. Similarly, City Trade Pull Factor is computed by dividing the City Per Capita Sales by Per Capita Sales of the state.

How are they interpreted?

Trade Pull Factor compares a given county or city's per capita sales to the state's per capita sales.

County or city with Per Capita Sales greater than the Per Capita Sales of the state would result in a Trade Pull Factor greater than 1.00. Trade Pull Factor greater than 1.00 represents the local retail businesses that are able to attract or capture more trade from nonresident consumers.

Counties or cities with per capita sales equal to the per capita sales of the state would result in a trade pull factor equal to 1.00. A trade pull factor equal to 1.00 represents that the county or city is able to sustain its retail businesses from local community.

Likewise, Trade Pull Factor equals to 1.00 also indicates that the region attracts as many nonresident consumers as it loses resident consumers to other regions by replacing dollars that leak from the region with captured dollars.

Similarly, county or city with Per Capita Sales less than the Per Capita Sales of the state will result in a Trade Pull Factor less than 1.00. This indicates that the region loses its resident consumers to other regions through retail consumptions.

Who benefits from this?

Trade Pull Factor can be used by business entrepreneurs, bankers, economic developers, and local government officials to assess relative strengths and weaknesses of the retail sector within a geographic region.

Why do bankers benefit?

Commercial lending bankers can utilize it as an additional tool to gauge the viability of a business in the retail sector.

Why do economic developers benefit?

Economic developers can use it as a measurement tool to enhance their decision making process to estimate the relative strength of a region's performance. A trade pull factor higher than 1.00 in a region of less than ideal population may reveal possible development potential from a prospective developer's point of view.

Why do business entrepreneurs/ managers benefit?

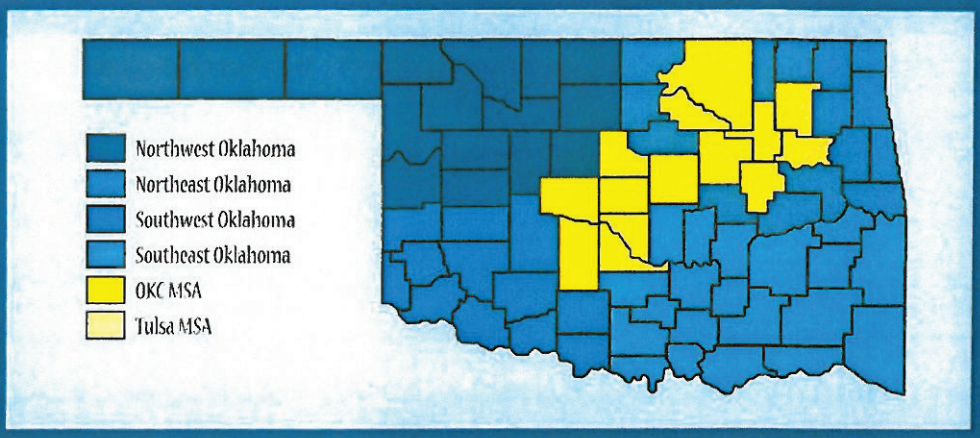
Business owners or managers can use it as a tool to locate the ideal business opportunity in the existing retail market. It helps business owners and managers to identify the relative strength of the retail market in a region as well as its trade capture area.

What is Trade Area Capture?

Trade Area Capture estimates the number of people who buy from a community. County that has a Pull Factor greater than 1.00 will capture a greater number of people in its trade area than the number of people residing in the county. This, therefore, indicates that people are traveling to the county for some of their retail purchases. County with a Pull Factor less than 1.00 will loss population since residents are traveling outside county borders to purchase goods and services.

Where is the geographic area?

This report presents Trade Pull Factor of 77 counties and 50 cities in Oklahoma.



What time period?

Trade Pull Factor in this report uses 2009 population estimates from the US Census and 2009 Sales Subject to Sales Tax (SSTST) figures from the ORIGINS database, 2009 Per Capita Personal Income (PCPI) from the Bureau of Economic Analysis - REIS database.

Table 1: County Trade Pull Factors - 77 Counties in Oklahoma

County	2009 SSTST[1] (milS)	2009 Population	County Per capita sales	County Trade Pull Factor	Trade Capture Area	Market share	2009 PCPI[2]	CTPF Adjusted for PCPI
Adair	$75.15	21,857	$3,438.28	0.32	7,062	0.19%	$22,476	0.52
Alfalfa	$25.82	5,481	$4,711.05	0.44	2,426	0.07%	$25,074	0.63
Atoka	$81.14	14,498	$5,596.43	0.53	7,624	0.21%	$23,602	0.80
Beaver	$16.24	5,270	$3,082.00	0.29	1,526	0.04%	$32,774	0.32
Beckham	$313.31	21,116	$14,837.52	1.39	29,441	0.80%	$31,084	1.61
Blaine	$69.02	12,609	$5,473.60	0.51	6,485	0.18%	$22,134	0.83
Bryan	$339.95	40,783	$8,335.68	0.78	31,945	0.87%	$29,431	0.95
Caddo	$153.28	30,393	$5,043.14	0.47	14,403	0.39%	$24,455	0.69
Canadian	$819.99	109,668	$7,477.07	0.70	77,054	2.09%	$36,325	0.69
Carter	$569.36	48,326	$11,781.71	1.11	53,502	1.45%	$34,717	1.14
Cherokee	$273.20	46,029	$5,935.38	0.56	25,672	0.70%	$27,739	0.72
Choctaw	$95.69	14,872	$6,434.52	0.60	8,992	0.24%	$26,826	0.81
Cimarron	$12.09	2,630	$4,598.40	0.43	1,136	0.03%	$30,942	0.50
Cleveland	$2,280.53	244,589	$9,323.93	0.88	214,298	5.81%	$35,381	0.89
Coal	$30.97	5,856	$5,287.98	0.50	2,910	0.08%	$24,145	0.74
Comanche	$1,135.80	113,228	$10,031.09	0.94	106,729	2.89%	$36,564	0.92
Cotton	$19.23	6,281	$3,062.28	0.29	1,807	0.05%	$31,646	0.33
Craig	$103.80	15,158	$6,847.54	0.64	9,753	0.26%	$30,123	0.77
Creek	$431.20	70,244	$6,138.66	0.58	40,520	1.10%	$30,451	0.68
Custer	$313.29	26,717	$11,726.38	1.10	29,440	0.80%	$31,350	1.26
Delaware	$230.13	40,555	$5,674.42	0.53	21,625	0.59%	$29,763	0.64
Dewey	$24.22	4,404	$5,500.24	0.52	2,276	0.06%	$31,790	0.58
Ellis	$24.86	3,925	$6,332.73	0.60	2,336	0.06%	$30,318	0.70
Garfield	$735.02	58,928	$12,473.24	1.17	69,069	1.87%	$36,772	1.14
Garvin	$198.40	27,113	$7,317.41	0.69	18,643	0.51%	$33,227	0.74
Grady	$305.02	51,649	$5,905.61	0.55	28,662	0.78%	$28,505	0.70
Grant	$18.67	4,317	$4,324.51	0.41	1,754	0.05%	$36,273	0.40
Greer	$24.58	5,830	$4,215.59	0.40	2,309	0.06%	$27,969	0.51
Harmon	$11.78	2,843	$4,143.56	0.39	1,107	0.03%	$27,837	0.50
Harper	$20.69	3,377	$6,127.90	0.58	1,945	0.05%	$33,917	0.61

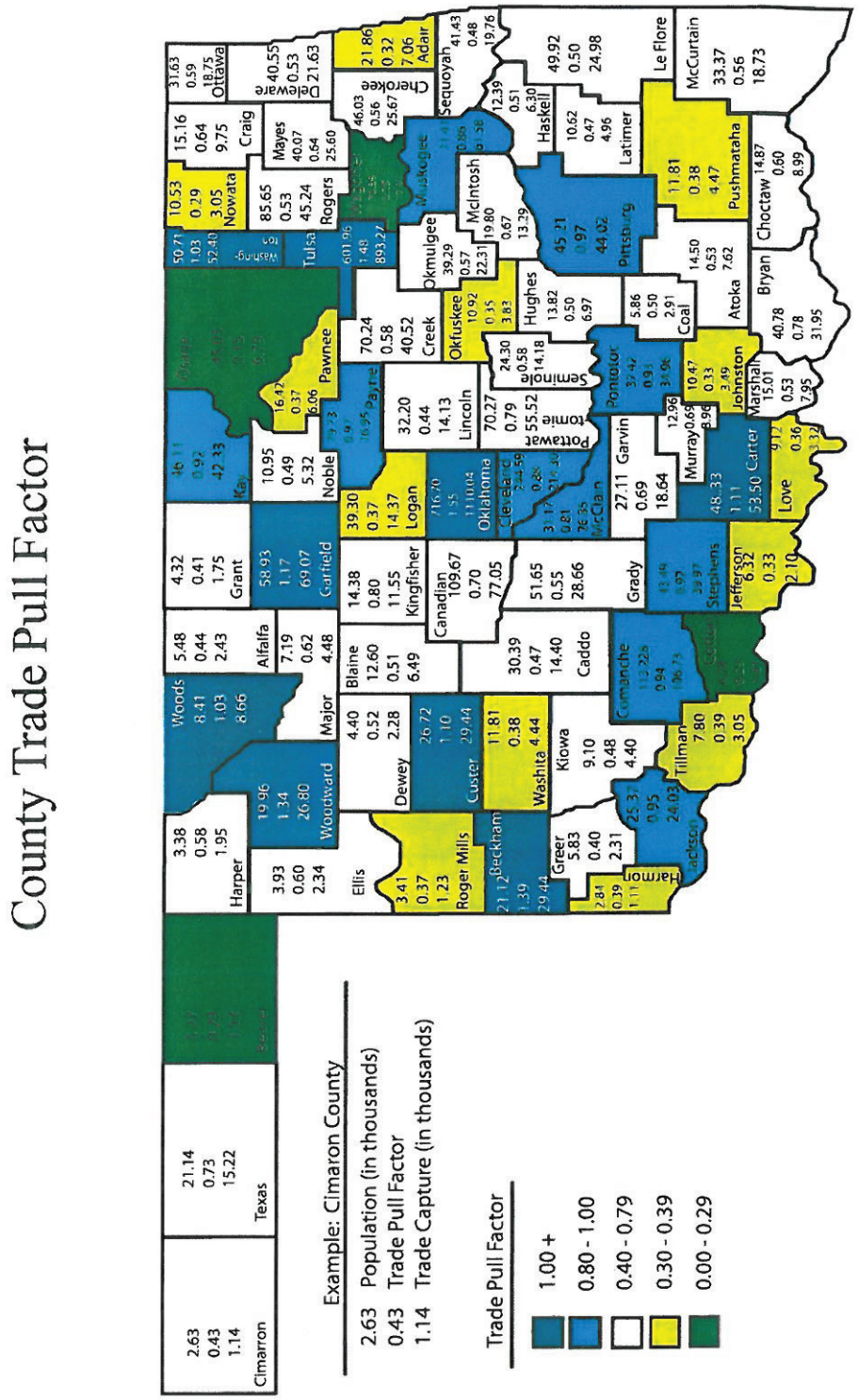
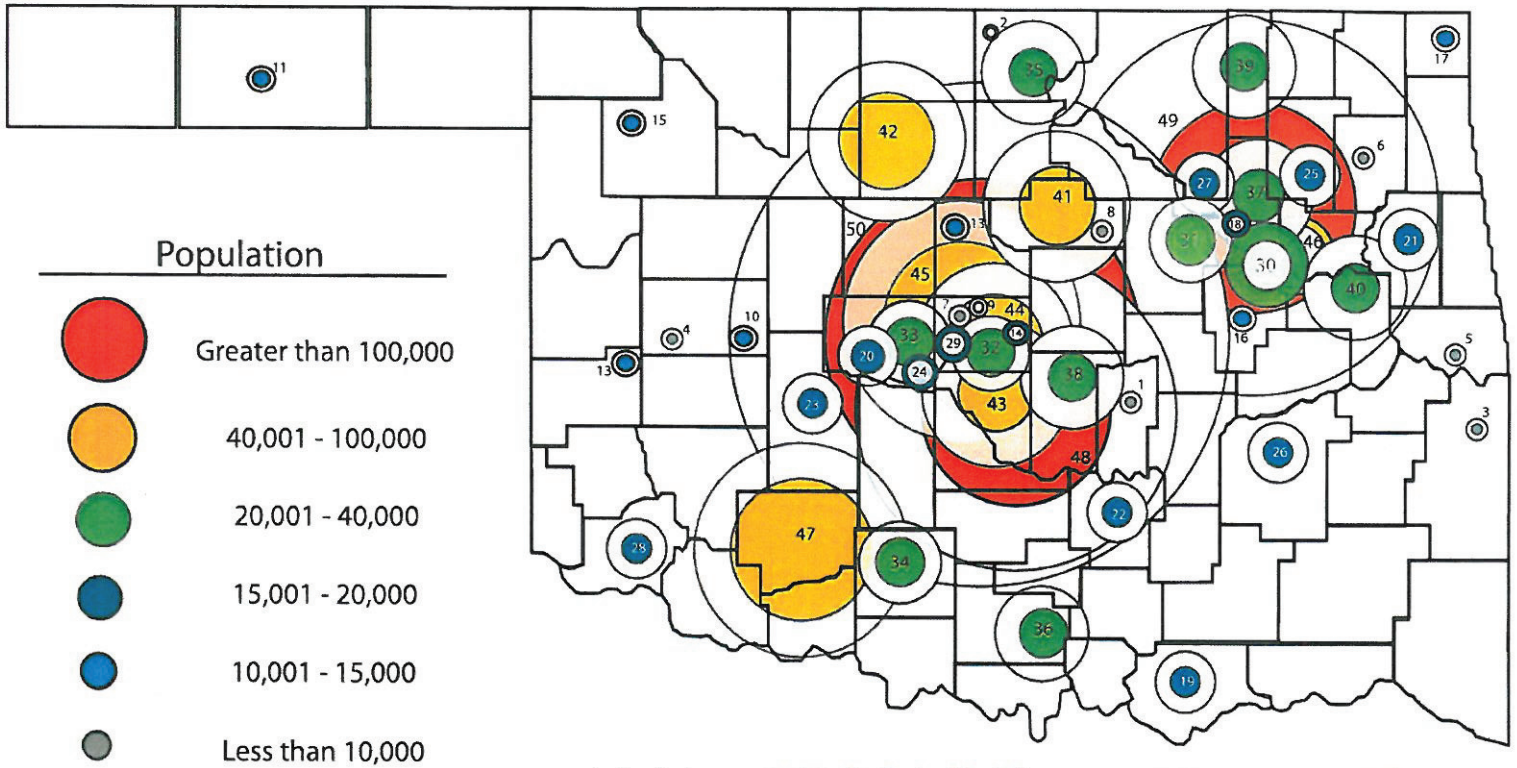

County Trade Pull Factor
Example: Cimaron County
2.63 Population (in thousands)
0.43 Trade Pull Factor
1.14 Trade Capture (in thousands)
Trade Pull Factor
1.00 +
0.80 - 1.00
0.40 - 0.79
0.30 - 0.39
0.00 - 0.29
Cimarron
Texas
Harper
Woods
Alfalfa
Grant
Kay
Garfield
Noble
Pawnee
Osage
Washington
Nowata
Craig
Ottawa
Delaware
Rogers
Mayes
Tulsa
Wagoner
Cherokee
Adair
Sequoyah
Le Flore
Ellis
Woodward
Major
Blaine
Kingfisher
Logan
Payne
Creek
Okmulgee
McIntosh
Haskell
Latimer
McCurtain
Dewey
Canadian
Oklahoma
Lincoln
Okfuskee
Hughes
Pittsburg
Roger Mills
Custer
Beckham
Washita
Caddo
Grady
Pottawatomie
Seminole
Coal
Atoka
Bryan
Choctaw
Pushmataha
Kiowa
Greer
Harmon
Tillman
Comanche
Cleveland
McClain
Garvin
Stephens
Murray
Carter
Jefferson
Love
Marshall
Johnston

Table 2: City Trade Pull Factors - 50 Cities in Oklahoma

	City	2009 SSTST (mil$)	2009 Population	Per Capita Sales	City Trade Pull Factor	Trade Capture Area	Market Share
20,001 - 40,000	Bixby	$205.84	21,433	$9,603.75	0.90	19,342	0.61%
	Sapulpa	$291.76	21,230	$13,742.62	1.29	27,415	0.86%
	Del City	$243.34	22,297	$10,913.59	1.03	22,866	0.72%
	Yukon	$400.04	23,511	$17,015.16	1.60	37,591	1.18%
	Duncan	$358.96	22,569	$15,904.98	1.49	33,731	1.06%
	Ponca City	$354.54	24,782	$14,306.29	1.34	33,315	1.05%
	Ardmore	$496.17	24,852	$19,965.07	1.88	46,624	1.46%
	Owasso	$592.10	28,865	$20,512.67	1.93	55,639	1.75%
	Shawnee	$538.97	30,536	$17,650.18	1.66	50,646	1.59%
	Bartlesville	$523.95	36,071	$14,525.48	1.36	49,234	1.54%
	Muskogee	$586.04	39,994	$14,653.20	1.38	55,069	1.73%
40,001 - 100,000	Stillwater	$668.71	46,156	$14,488.13	1.36	62,838	1.97%
	Enid	$713.87	47,968	$14,488.13	1.36	67,081	2.10%
	Moore	$663.64	53,763	$12,343.72	1.16	62,361	1.96%
	Midwest City	$785.76	57,193	$13,738.67	1.29	73,836	2.32%
	Edmond	$1.345.54	81.093	$16,592.52	1.56	126.438	3.97%
	Broken Arrow	$1,029.17	94,996	$10,833.82	1.02	96,709	3.03%
	Lawton	$1.084.65	91,187	$11,894.82	1.12	101,923	3.20%
100,001 +	Norman	$1,571.23	109,062	$14,406.78	1.35	147,646	4.63%
	Tulsa	$7,002.51	389,625	$17,972.44	1.69	658,015	20.65%
	Oklahoma City	$8,855.67	560,333	$15,804.30	1.49	832,153	26.11%
	STATE	**$39,237.11**	**3,687,050**	**$10,641.87**	**1.00**	**3,687,050**	**100%**

1. SSTST = Sales Subject to Sales Tax
Source: US Census Bureau, ORIGINS database, Bureau of Economic Analysis -REIS database

Oklahoma Trade Pull Factors: 50 Oklahoma Cities, 2009



1 - Seminole
2 - Blackwell
3 - Poteau
4 - Clinton
5 - Sallisaw
6 - Pryor
7 - Warr Acres
8 - Cushing
9 - The Village
10 - Weatherford
11 - Guymond
12 - Guthrie
13 - Elk City
14 - Choctaw
15 - Woodward
16 - Okmulgee
17 - Miami
18 - Jenks
19 - Durant
20 - El Reno
21 - Tahlequah
22 - Ada
23 - Chickasha
24 - Mustang
25 - Claremore
26 - McAlester
27 - Sand Springs
28 - Altus
29 - Bethany
30 - Bixby
31 - Sapulpa
32 - Del City
33 - Yukon
34 - Duncan
35 - Ponca City
36 - Ardmore
37 - Owasso
38 - Shawnee
39 - Bartlesville
40 - Muskogee
41 - Stillwater
42 - Enid
43 - Moore
44 - Midwest City
45 - Edmond
46 - Broken Arrow
47 - Lawton
48 - Norman
49 -Tulsa
50 - Oklahoma City

SWOSU
Southwestern Oklahoma State University

Attachment B

Retail Sales Opportunity Gap Analysis

The *RMP Opportunity Gap – Retail Stores Report 2008* published by Claritas, Inc. attempts to identify opportunities for additional retail store types in Norman, Oklahoma. The report data is derived from two major sources. The demand data is derived from the Consumer Expenditure Survey published by the U.S. Bureau of Labor Statistics while the supply data is provided by the Census of Retail trade. The difference between demand and supply represents the opportunity gap or surplus available for each retail category in the specified reporting geography. When the demand is greater than the supply there is an opportunity gap for that retail category. A positive value signifies an opportunity gap, while a negative value signifies a surplus.

The *RMP Opportunity Gap – Retail Stores Report 2008* forecasts total retail sales, exclusive of automobile sales, in 2008 for the City of Norman at $1.52 billion. Meanwhile, based on the city's population and income levels, during 2008 an estimated $1.4 billion in retail sales is supportable, yielding a surplus in retail sales of $120.2 million. For 2007, the City of Norman reported actual taxable retail sales of $1.45 billion. This surplus in retail sales supports Norman's retail trade pull factor of 1.38 published by the *Oklahoma Trade Pull Factors for Fiscal Year 2004.*

As outlined in the table below, despite a forecast surplus retail sales for Norman, those categories providing the greatest opportunity for capturing additional retail sales include supermarkets, convenience stores, building materials, pharmacies and drug stores, appliance and home electronics stores and department stores. Types of under-serviced retail categories suitable for operating within the University North Park Project Area include department stores, furniture and home furnishings, lawn and garden and sporting goods. While slightly over-serviced, independent full-service restaurants are suitable tenants for the University North Park Project Area.

RMP Opportunity Gap by Retail Category – Norman, Oklahoma

Retail Categories	Demand – Supportable Consumer Expenditures	Supply – Actual Retail Sales	Opportunity Gap / (Surplus)
Supermarkets	$174,167,907	$119,520,835	$54,647,072
Convenience Stores with Gasoline	$147,308,546	$115,590,052	$31,718,494
Building Materials	$161,620,984	$141,913,378	$19,707,606
Pharmacies & Drug Stores	$77,641,575	$59,302,546	$18,339,029
Appliances and Home Electronics	$30,845,612	$14,839,031	$16,006,581
Department Stores	$100,027,407	$84,261,251	$15,766,156
Specialty Foodservices	$14,436,686	$5,074,700	$9,361,986
Furniture and Home Furnishings	$41,621,904	$32,742,686	$8,879,218
Drinking Places	$8,900,405	$889,763	$8,010,642
Lawn and Garden	$14,319,693	$6,867,063	$7,452,630
Jewelry Stores	$10,878,849	$5,631,270	$5,247,579
Sporting Goods Stores	$12,344,850	$8,003,332	$4,341,518
Women's Clothing Stores	$15,684,831	$11,479,737	$4,205,094

Source: Claritas, Inc.

The University North Park Project Area is designed to support both a power center and lifestyle center. As discussed earlier in the report, the power center's primary retail trade area is defined as the geographic area within a 5-mile radius of the site, increasing to a 7-mile radius for the secondary trade area and a 10-mile radius for the tertiary trade area. The primary retail trade area for the lifestyle center encompasses a 7- to 10-mile radius from the site.

Because the University North Park Project Area's retail trade area extends outside the city limits the *RMP Opportunity Gap – Retail Stores Report 2008* was also consulted to identify opportunities for additional retail store types within a 5-, 7- and 10-mile radius. Exclusive of automobile sales, surplus retail sales in 2008 within a 5-mile radius of the University North Park Project Area are estimated at $279.8 million. The surplus in retail sales decreases to $80.5 million within a 7-mile radius. An opportunity gap of $200.3 million is estimated within a 10-mile radius.

For the University North Park Project Area those retail categories providing the greatest opportunity to occupy the power center component include home electronics and appliances stores, hardware stores, office supplies stores and sporting goods stores. Prospective lifestyle center retailers include specialty foodservices, department stores, jewelry stores, furniture and home furnishings stores, department stores and clothing and accessories stores. Findings of the *RMP Opportunity Gap – Retail Stores Report 2008* suggest that retail sales leakage exists among a sufficient number of retail categories within the primary, secondary and tertiary trade areas to support additional power center and lifestyle center development without having a notable adverse affect on sales of existing trade area retailers.

RMP Opportunity Gap by Retail Category
5-, 7- and 10-Mile Radius from Project Area

Retail Category	Total Opportunity Gap 5-Mile Radius	7-Mile Radius	10-Mile Radius
Total Opportunity Gap/(Surplus)	**($279,792,915)**	**($80,461,258)**	**$200,342,831**
Supermarkets	$30,812,961	$85,524,587	$145,221,216
Home Electronics and Appliances	$13,755,061	$19,826,759	$42,901,660
Specialty Foodservices	$7,504,065	$11,394,657	$15,036,028
Lawn and Garden Equipment	$5,967,801	$7,398,293	$6,179,511
Office Supplies and Stationery Stores	$5,584,879	($5,203,916)	$101,372
Beer, Wine and Liquor Stores	$4,003,401	$6,993,698	$13,641,770
Furniture and Home Furnishings Stores	$2,870,620	$14,134,703	$28,034,173
Clothing and Accessories Stores	($34,546,300)	($15,952,536)	$37,736,052

Source: RMP Opportunity Gap - Retail Stores 2008; Claritas, Inc.